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O/DD/I (NSC)

Noted by DCI

13 Oct 61

12 October 1961

Noted by D/DCI

19 OCT 1961

MEMORANDUM FOR: DCI

SUBJECT: Background Information For Yugoslav and Polish
Export Policy ReviewB
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1. The U.S. adopted a policy of strict control of exports to Communist states in 1948 and has continued this policy to the present time, albeit with declining commodity coverage. Yugoslavia was exempt from certain elements of this control in 1948, and Poland in late 1956.

2. U.S. export control policies are directed at controlling export of military equipment and materials and equipment directly associated with the production of such equipment. Major reductions were made in the list of controlled commodities in 1954, 1958, and 1960. A recent review would probably have resulted in a further reduction had not increasing international tension caused a postponement of action.

3. Differential treatment of Yugoslavia and Poland has consisted of U.S. willingness to license the shipment of items which could contribute indirectly to military capabilities but which were not in themselves military equipment or restricted atomic energy materials. We have licensed such commodities only if Poland and Yugoslavia identified peaceful end uses for the goods and guaranteed that they would not be reexported without prior U.S. authorization. Since

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22 September, however, the Secretary of Commerce has refused to issue licenses for these commodities pending an NSC review of U.S. policy toward Yugoslavia and Poland.

4. We have data on imports of goods under license only for Poland, where they have been small. (Table I) Only in 1959, when they included a large number of second-hand aircraft, did such imports amount to more than 10 percent of Polish imports from the U.S. In most years these restricted commodities would have amounted to 2 to 5 percent of Polish imports from the U.S. The licensed imports have made important contributions to the development of certain key industries in both Poland and Yugoslavia, including the organic chemical industry and the coal mining industry in Poland and the non-ferrous industry in Yugoslavia. It cannot be said, however, that the licensed imports have constituted a major addition to Polish, Yugoslav or Bloc overall economic strength, or that they would contribute significantly to Polish or Yugoslav ability to assist the East German economy.

5. Total U.S. trade with Poland and Yugoslavia has been comparatively small over the past five years. (Table II*) Sino-Soviet

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Bloc trade has been significantly larger in each country -- 10 times as large for Poland and 4 times as large for Yugoslavia. A large part of U.S. trade has been a product of our aid programs and has taken the form of consumer goods. A small but important part of this trade, consisting of both licensed and unlicensed commodities, has been in modern industrial equipment needed for economic development of key export industries or for domestic production of materials hitherto imported from other Communist countries.

6. The U.S. has also engaged in direct governmental assistance to these countries. This assistance has taken the form of Mutual Security aid and the sale of surplus agricultural commodities, including sales under Public Law 480 (sales for local currencies which are in turn available for loans to the country as well as for local U.S. purchases in the country). Yugoslavia at one time also received some military aid. U.S. assistance for Poland and Yugoslavia in 1960 amounted to \$56.6 million and \$78.3 million respectively. (Table III) While U.S. aid to these countries has been reasonably modest it should be noted that it in each case is larger than the aid given by the USSR. (Table IV)

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Assistant to the DD/I (NSC)

Attachments

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O/DD/I (NSC)TABLE I

Dollar Value of Commodities Licensed to Poland by the United States,
January 1958 to July 1961

1961 (1st half)	\$ 719,860
1960	1,408,203
1959	9,771,251 (including passenger air- planes -- \$7,800,000)
1958	3,107,659

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TABLE II

Yugoslavia and Polish Trade with US and Bloc

Annual 1958-60 and January - June 1960 and 1961

Value Millions of Dollars												
	Exports				Jan - Jun		Imports				Jan - Jun	
	1956	1958	1959	1960	1961	1960	1956	1958	1959	1960	1961	1960
Yugoslavia												
U.S. <u>1/</u>		29.6	37.1	40.6	22.0	22.1		115.4	122.2	86.0	69.4	32.4
Total Bloc		<u>127.3</u>	<u>148.8</u>	<u>183.3</u>	<u>88.8</u>	<u>67.9</u>		<u>195.1</u>	<u>172.3</u>	<u>212.7</u>	<u>72.0</u>	<u>113.6</u>
USSR		36.3	47.2	53.0	25.1	17.2		57.8	57.6	57.2	15.4	30.9
European Satellites		86.4	100.1	129.1	63.6	50.6		135.9	112.1	154.9	56.6	82.6
China		4.6	1.5	1.2	0.1	0.1		1.4	2.6	0.6	x	0.1
Poland												
U.S. <u>1/</u>	27.4	29.7	31.9	38.8	18.5	20.0	3.7	105.2	74.7	143.1	61.7	52.2
Total Bloc	<u>572.8</u>	<u>586.2</u>	<u>661.3</u>	<u>789.4</u>	<u>n a</u>		<u>668.4</u>	<u>692.1</u>	<u>898.0</u>	<u>924.4</u>	<u>n a</u>	
USSR	270.2	265.2	313.0	390.2			344.3	334.0	452.3	465.3		

^{1/} Imports and Exports of United States from U.S. Trade Statistics.

Source: U.S. and Yugoslavia - U.S. Department of Commerce

Poland - Polish Yearbooks - 1959 and 1960

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Table III

U. S. Assistance to Poland and Yugoslavia
1956-1960*

(In million current US\$)

	Poland					Yugoslavia				
	1956	1957	1958	1959	1960	1956	1957	1958	1959	1960
Total Assistance	--	48.9	144.6	52.6	56.1	164.4	164.2	147.6	185.2	78.3
Economic Assistance - Total	--	48.9	144.6	52.6	56.1	164.3	147.1	113.5	186.1	78.3
Mutual Security Program	--	30.0	25.0	6.0	--	29.8	15.0	11.7	63.4	44.9
ICA	--	--	--	--	--	29.8	15.0	11.7	11.9	7.1
Development Loan Fund	--	--	--	--	--	--	--	--	51.5	37.8
Miscellaneous	--	30.0	25.0	6.0	--	--	--	--	--	--
P.L. 480	--	18.9	119.6	46.6	56.1	79.5	132.1	101.8	122.7	33.4
Export-Import Bank Loans	--	--	--	--	--	--	--	--	--	--
Military Assistance - Total	--	--	--	--	--	55.1	17.1	34.1	- 0.9	--
Grants	--	--	--	--	--	55.1	17.1	34.1	- 0.9	--
Loans	--	--	--	--	--	--	--	--	--	--

* Obligations by Fiscal Year.

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Table IV

Bloc Credits and Grants To and From
Poland and Yugoslavia, 1956-September 1961

(In million current US \$)

	<u>To From</u>	<u>Poland</u>		<u>Yugoslavia</u>		<u>Bloc Poland</u>
		<u>Bloc</u>	<u>USSR</u>	<u>Bloc</u>	<u>USSR</u>	
1961		189.0	--	--	--	17.5
1960		--	--	--	--	--
1959		--	--	--	--	--
1958		--	--	--	--	6.2
1956		300.0	300.0	111.1 ^{a/}	72.9 ^{a/}	7.6

a. Additional credits of \$353 million were extended by Czechoslovakia, East Germany, and the USSR to Yugoslavia in 1956 and subsequently were either canceled or allowed to expire.

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